MULTIMEDIA UNIVERSITY STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BIB3084 – ISSUES IN INTERNATIONAL BUSINESS

(All sections / Groups)

23 OCTOBER 2018
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **THREE (3)** pages with **FOUR (4)** Questions only.
2. Attempt **ALL** questions from **Section A** and **Section B**. All questions carry equal marks and the distribution of the marks for each question is given
3. Please write all your answers in the Answer Booklet provided.

SECTION A: CASE STUDY
Answer ALL the questions

Trump's Auto Tariff Plan Threatens General Motors' $7-billion South Korea Rescue

MAY 30, 2018 UPDATED MAY 30, 2018

Fresh off a $7 billion rescue for its loss-making South Korean operation, General Motors (GM) faces a new threat as U.S. President Donald Trump considers higher vehicle import tariffs that could "make or break" its Asian subsidiary.

Earlier this month GM agreed on the bailout package with the South Korean government in return for a pledge to stay in the country for at least 10 years, purchase more Korean-made parts and produce two new models popular in the U.S. market.

But less than two weeks later, the Trump administration launched a national security investigation into car and component imports that could lead to new U.S. tariffs similar to those imposed on imported steel and aluminum in March. Higher tariffs would be painful for Asian automakers whose shipments accounted for one third of U.S. vehicle imports last year through heavyweights such as Toyota Corp and Hyundai Motor.

They could also have a devastating impact on smaller players such as GM Korea and its plan to become a major export hub again. "This is a matter that could make or break GM Korea," a person familiar with GM's situation told Reuters.

"The success of its restructuring plan hinges on more production for exports, and the two new models to be manufactured here are primarily targeted at the U.S. market to serve that purpose," the person said, requesting anonymity because of the sensitivity of the subject.

GM Korea, GM's biggest production base in Asia excluding China, exported about a quarter of its vehicle output to the United States last year, and the portion is set to rise further as it shifts production toward models popular in the U.S. market following a sales pullback in Europe.

"The tariff does not make sense," said Ko Tae-bong, an analyst at HI Investment & Securities. "The (South Korean) government injected all the money into the unit, and there will be no other major markets to sell cars other than U.S. after Europe exit."

GM Korea declined to comment.

GM has abandoned several money-losing markets over the past three years as part of a broader strategy to boost production margins and conserve capital to fund electric and automated vehicles as well as new models for core markets in China, the U.S. and Latin America

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It also closed one of its four plants in South Korea this month, but decided to continue operating other plants to leverage the Korean unit's core strength - R&D capability and a strong supplier network. That move now looks in jeopardy as Trump considers tariffs on parts imports.

South Korean suppliers provide parts worth nearly $2-billion to GM's factories overseas, including the United States and Mexico, according to GM Korea.

GM has about 300 first-tier suppliers and 2,000 second-tier suppliers in South Korea, including some which GM may find it difficult to replace quickly, they said.

Korea has had the second largest number of winners in GM's suppliers' awards program for several years, following the United States. This year, 27 South Korean suppliers known for their high-quality, affordable products have won GM Supplier of the Year awards. That represents 22 per cent of total winners globally.

Park Pyong-Wan, a former GM Korea executive, said GM may shift production of the Trax to the United States or produce complete kits in South Korea for final assembly in the United States to avoid the tariffs.

"It would be difficult for Trump to slap high tariffs on auto parts, because that would hit its own industry, as it sources parts from all around the world," Park said.

(Source: Adapted from https://www.theglobeandmail.com/business/article-trumps-auto-tariff-plan-threatens-gms-7-billion-south-korea-rescue-2/ dated 22th June 2018)

QUESTION 1

a. Based on the above case, the increase of tariff for auto part could break GM Korea's plan. Briefly explain **ANY 5 (FIVE)** drawbacks of high tariff on auto parts industries.

(10 marks)

b. Refer to the above case, propose **ANY 3 (THREE)** possible acts that GM can consider to avoid the high tariff with examples.

(15 marks)

(TOTAL: 25 marks)

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SECTION B: STRUCTURE QUESTION
Answer ALL the questions

QUESTION 2

With support from real life cases, briefly explain the factors that lead to global business failure (Note: Your case must be current issues dated 2010 till 2018).

(TOTAL: 25 marks)

QUESTION 3

"Air Canada signs Air China joint venture"

(Source: Globe and Mail Headline dated 6 June 2018)

a. Based on your opinion, argue the possible outcomes of this joint venture.

(15 marks)

b. You are an advisor to a first class airline company. Suggest **ANY 2 (TWO)** other international business entrance strategies that you can consider besides joint venture with other.

(10 marks)

(TOTAL: 25 marks)

QUESTION 4

"...In 2016, Samsung dealt with exploding Note 7 batteries. In 2017, it was imploding corporate ranks. Originally planning to put heir Lee Jae-yong at the head of the empire, the family-run Samsung conglomerate is now facing questions of succession after Lee was caught in a sprawling political scandal that took down former South Korean President Park Guen-Hye. Lee Jae-yong is now facing five years (and potentially 12) in jail for offering allegedly offering bribes to Park, embezzlement, and hiding assets overseas....

(Adapted from The Fortune Magazine dated 31st December 2017)

Based on the above case, bribery is a serious crime. In your opinion, besides ethical issues, what are the other problems with international business bribery?

(TOTAL: 25 marks)

End of Paper